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ABSTRACT

Issues in school funding inequities are discussed in this Digest, which points out that funding inequity exists among inner-city, rural, and urban schools. The extent of the disparities that exist in per-pupil spending between wealthy and poor school districts within states is described. Reasons for funding inequities include the built-in inequity of school district financing and the inefficiency of the state equalizing formulas. A review of recent court rulings between 1968 and 1990 reveals that although the courts overturned many financing plans, clear guidelines for remedying the fiscal inequity have not been provided. A review of literature indicates that school expenditures per se are not generally related to improved student academic performance. However, the way in which educational funding is used affects student achievement. Future issues to be addressed are financial equity across states and among schools at the state level. (Contains 11 references.) (LMI)

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Financial Equity in the Schools

by Ron Renchler

The publication in 1991 of Jonathan Kozol's *Savage Inequalities* helped awaken educators and the general public alike to the grim realities of school funding inequities. Most of the literature on school finance prior to the appearance of Kozol's book reported on the growing gap between the educational haves and have-nots in terms of statistical analysis and reviews of court cases. *Savage Inequalities* took readers inside classrooms for a first-hand look at different schools in separate school districts often located only a few blocks apart yet having wide disparities in per-pupil expenditures.

Kozol's descriptions of underfunded schools—overcrowded, dilapidated classrooms, understaffed faculties, insufficient numbers of textbooks, and science labs with no equipment—stand in stark contrast to our image of what our nation's schoolrooms should be like. Although Kozol's accounts of funding disparities most often involve innercity schools, inequity in funding among schools exists in rural and suburban areas as well.

How Wide Is the Gap?

Although the collection of data on school funding is still an inexact science, there is plenty of evidence that gross disparities exist in per-pupil spending between wealthy and poor school districts within states. For example, in 1989-90, the poorest school district in Texas spent $2,150 per pupil while the wealthiest spent $14,514, or 6.75 times more, per pupil. New York's wealthiest district spent $19,238 per pupil in 1989-90; its poorest district spent only $3,127 per pupil. In most states, two to five times more per pupil is spent in the wealthiest districts than in the poorest districts (Harp 1992).

Some attempts have been made to explain away the disparities by excluding the top 5 or 10 percent of the wealthiest and poorest schools in funding comparisons. However, the fact remains that within virtually every state, some children's education is funded at levels several times greater than those of other children simply because they reside in different districts.

The statistics on per-pupil expenditures across states raise other serious questions about the equity of educational opportunity offered in the U.S. During the 1989-90 school year, a student residing in Arkansas could expect $2,423 to be spent on his education while a student living in Alaska enjoyed an investment of $7,411 (Odden and Picus 1992). National averages for per-pupil spending based on other geographic factors also point to funding inequities. According to one recent report, an average of $5,200 per pupil was spent on education in large urban schools compared to $6,073 per pupil in suburban schools. Rural school districts also spent less per pupil ($5,476) than suburban districts (The Council of Great City Schools 1992).

Why Do Funding Inequities Exist?

Although states are individually responsibile for school funding, they have traditionally turned control of school finances over to local school districts. This has created a system of de facto economic determinism. Wealthy districts with high property values fund their schools at high levels with monies generated from what are often very low property tax rates. Districts with low or declining property values, on the other hand, must make do with low levels of revenue generated from extremely high property tax rates.

To counter this built-in inequity, the legislatures in most states have devised funding plans that guarantee all schools minimum funding on a per-pupil basis, thus providing each school with revenue for a basic level of education for all students. However, these "foundation" or "equalizing formula" plans have not eliminated the gross disparities in funding among schools (Harp 1992, Verstegen 1990), since districts are still free to add their property-tax-generated revenues to the foundation amounts. Ideally, restructured financing plans will tend to "level up" the poorer districts to funding levels that approximate those in wealthier districts.

Most school funding litigation brought against states during the past two decades has focused on the area of financial inequity and the attendant lack of equal educational opportunity engendered by these plans. For a review of funding strategies and the results of litigation testing them, see Odden and Picus (1992).

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What Have the Courts Ruled?

Between 1968 and 1990, twenty-seven court cases contesting school funding plans were filed. In about half those cases, the courts overturned financing plans on the basis that they violated either the education clause or the equal protection clause of the state's constitution. About twenty-five new cases were filed in the early 1990s. Sixteen cases are still outstanding, and cases are currently being developed in five additional states (Odden and Picus 1992).

The courts have consistently overturned state funding plans, including those in Texas, New Jersey, Kentucky, and Montana; however, clear guidelines for remedying the fiscal inequity have not been given. Consequently, legislatures in these states have had to devise new plans that may have to face a second or even third round of court tests to assess their legal status.

Is There a Link Between Per-Pupil Expenditures and Student Achievement?

One central premise in litigation challenging the fairness of school finance systems is that equalization of funding will lead to equalization of educational opportunity, which, in turn, will lead to improved academic performance of students in lower funded districts. Research into the relationship between school expenditures and student achievement has not yet provided us with a clear understanding of where we can most effectively invest our educational dollars. Should educational funds be invested in smaller class size, staff development, improved instructional materials, or teacher compensation? Hanushek (1989) reviewed 187 studies and found that school expenditures per se were not generally related to improved student performance. As Odden and Picus (1992) point out, such findings do not negate the importance of financial equity; they indicate that certain types of investment of educational funds have not been shown to lead to higher levels of student achievement. "The important message from this research," Odden and Picus say, "is that if additional education revenues are spent in the same way as current education revenues, student performance increases are unlikely to emerge. The message is that the way money is used matters. New revenues need to support new strategies in order to produce significant student achievement gains."

What Does the Future Hold?

One important area of funding equity that has received limited attention is financial equity across states. Even if parity in funding is attained at the state level, equity in funding for education across states will still not be achieved (Barton and others 1991). Because the power to provide education is a state's constitutional right, the federal government has not been involved in establishing and promoting policies that create equitable educational funding for all children regardless of their state of residence. State concerns about increased federal control of education confound this problem. At present, only a few government officials and policy analysts have called for more action at the federal level (Odden and Kim 1992, Verstegen 1990).

Achieving financial equity among schools at the state level promises to be one of the central focal points in education during the 1990s. Because most court challenges to school funding plans have been notoriously slow in being resolved, immediate change is unlikely. The involvement of state legislatures in constructing complex funding mechanisms that shift monies from some school districts to others makes the attainment of financial equity politically risky (McCarty and Brazer 1990, Yudoff 1992). However, if research and policy studies continue to improve, and if the courts continue to uphold the principle that all children deserve equal educational opportunity as expressed through equality in school funding, the 1990s promises to be a decade of slow but inevitable movement toward more equitable distribution of educational resources.

Resources

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